# SIGOMA Submission to the 2020 Comprehensive Spending Review

## 1. About SIGOMA

1.1. SIGOMA represents metropolitan and unitary authorities outside London, from the Southern Ports, the East Midlands, West Midlands, North West, North East and Yorkshire & Humberside. The 47 SIGOMA councils are home to 13.8 million people, 24.9% of the English population.

1.2. Our authorities typically represent areas that have suffered most during post-industrial decline and benefitted least from linking funding to local prosperity whilst direct grants have been cut since 2010.

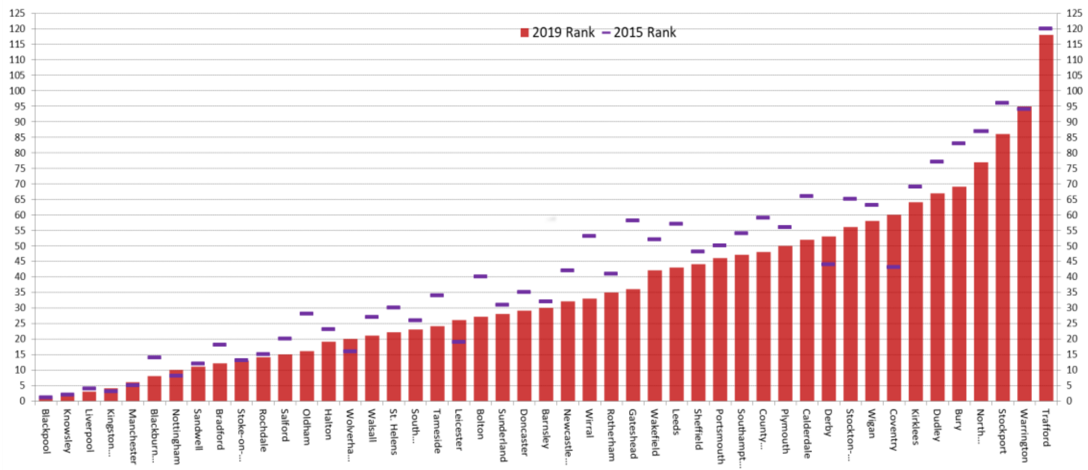
1.3 Our members are also over-represented in areas that have struggled for longest with Covid and its aftermath. Of the 20 areas in England with the highest rates of coronavirus at the beginning of September, 15 were SIGOMA authorities[1] shown by articles such as:

Covid-19 ‘could be endemic in deprived parts of England’

Guardian 5 September from leaked Public Health England Report

1.4. Deprivation continues to blight the prospects many of our authorities. 43 of our 47 authorities are in the lower half of MHCLG’s latest Deprivation Ranking[2] with 12 in the most deprived decile (15 authorities). SIGOMA members make up 75 % of the 2 most deprived deciles. Most SIGOMA authorities have become relatively more deprived since the last IMD measure of 2015, as shown in chart 1.

**Chart 1: SIGOMA Councils Deprivation Ranking 2019 and 2015 (where 1 is most deprived)**




1.6. Whilst this worsening in deprivation ranking is due in part to higher IMD scores of SIGOMA councils, it is also partly due to the lower (improved) IMD scores in other English councils, adding to the “left behind” impact on our members.

[1] MS news based on PHE dashboard 9 September 2020: Bolton, Bradford, Tameside, Salford, Sunderland ,Blackburn with Darwen, Manchester , Rochdale, Bury, Leeds, Oldham, Leicester Wirral, Gateshead, South Tyneside

[2] 2019 Index of Multiple Deprivation produced by MHCLG, measured in Chart 1 at county level

1.7 Despite this deprivation and the inevitable increase in need, our councils have been the worst affected by funding cuts. The real-terms spending power of local government overall fell by £18 billion, an average 28.0%, between 2010 and 2019 but for SIGOMA authorities, the cut has been 34.1%, an additional £1,013 million cut, or a further £21 million per authority above the average[3].

1.8. Yet as funding for authority services has fallen over the last decade, reliance of residents on vital local services has increased due to austerity. There is a strong, pervasive and well documented link between deprivation and the demand for (and cost of) delivering services by local authorities.

1.9 SIGOMA councils, like all upper tier councils, have been held back from the brink of failure by successive adult social care additional funding grants and the ability to raise an adult social care precept but, it must be remembered, are starting from a lower, weaker base and generally benefit less from funding which is earned relative to local taxes such as business rates and Council Tax, as is illustrated in later sections.

1.10. It is tempting to try and ignore these issues now due to the overwhelming challenges represented by Covid. However, a Treasury Spending Review that fails to address the pre-existing divisions and only sustains the poverty gap will not bring about the unified nation and fair society that Government seeks.

1.11. We hope our comments and suggestions will be given serious consideration. We see this as a genuine opportunity for Government to stand by its levelling-up manifesto pledge and show the areas we represent that, as they were foremost in funding cuts during austerity, they will be first to benefit from a national regeneration programme that will benefit the whole country going forward.

## 2. <u>Executive Summary</u>

2.1. The relative deprivation of SIGOMA councils has worsened and demand for services increased whilst at the same time funds have been cut at a higher rate than other councils.

2.2. Many of our members are amongst the worst hit by covid in health terms and economically.

2.3. In 2020-21 it is essential that covid pressures are fully funded in order that we can sustain essential services. Our councils are likely to face an average budget shortfall due to covid of £14 million this year after known funding and a further £18 million annually due to Council Tax and business rate pressures in later years.

2.4. The creeping impact of new administrative burdens also needs addressing.

[3] Prepared by SIGOMA using CSP tables adjusted for comparability over time and using GDP deflators

2.5. The overall funding quantum is inadequate and been supported by one-off social care grants and the social care precept in the last two years. We list in our response the various bodies that have predicted funding gaps above current funding of between £4 billion and £8 billion in the next few years.

2.6. A longer term solution is needed meaning an adequate funding quantum as recommended by the LGA, guaranteed over the medium term.

2.7. The focus in funding allocations needs to move away from incentivising growth and towards funding service needs. This should recognise that not all councils can raise the same contributions from Council Tax and should ensure that council funding will be adequate for all councils, as set out in our 2015 policy document.

2.8. Treasury and Cabinet needs to review the large number of small grants for pet-projects. Funding would be more effective in a single place-based budget as recommended by the LGA.

2.9. The levelling up agenda needs substance behind it. This means equality in infrastructure investment but also investing in people by removing the poverty barriers to good health and employment and improving social mobility in the worst affected areas.

2.10. Councils who have reserves should not be expected to fund the current crisis from those, they are part of the prudent planning process of councils

2.11. A route map of governments plans for Adult and Children’s Social Care is needed and an understanding of what is expected from local government, costed and funded.

## 3. The Current Year 2020-21

3.1. The LGA has called for full funding of local authorities’ covid pressures based on analysis by the IFS[4]. We support the LGA in that call. Councils have stood by Government in overcoming the immense medical, social and economic challenges arising from covid and now expect Government to recognise this.

3.2. In their report released today, the IFS estimate a £3bn+ shortfall in Council funding in 2020-21.

3.3. The estimated Covid pressures funding of our members at 31 August is shown in Table 2 below:

[4] Institute for Fiscal Studies “Covid-19 and English Council Funding”https://www.ifs.org.uk/publications/15041

**Table 2: SIGOMA August Covid Return Pressures and Funding to Date**

| | To August £m | Estimated Full year £m |
|---|---|---|
| Cost pressures | 865 | 1,419 |
| Sales fees & charges lost | 339 | 485 |
| Other income affected by covid | 205 | 306 |
| **Pressure excluding taxation** | **1,409** | **2,210** |
| Direct funding to date[5] | (1,234) | (1,234) |
| Expected funding from income support scheme | (200) | (320) |
| **Funding shortfall (surplus) 2020-21** | **(25)** | **656** |

3.4. Based on current information our councils expect to face a full-year budget shortfall of £656 million or an average £14 million per council. Of course the pressure experienced will not be distributed evenly and some could face far greater pressure.

3.5. It should be noted that the direct funding received to date does not cover even the projected cost pressures for the full year. This must surely be addressed.

3.6. The income loss scheme starts with the intention of only funding a fraction of income losses which will inevitably leave councils having to fund an income shortfall through service cuts.

3.7. The income scheme as it currently stands does not address some local losses that councils are having to support, albeit indirectly, for example market rents from traditional markets and leisure facility income losses which are delivered other than by the authority.

3.8. The above data is only part of the story. Our members estimate pressures from lost Council Tax and business rates of £408 million at 31 August, with a full years estimate pressure of £698 million.

3.9. MHCLG have hinted at the possibility of further support but so far the only relief offered is that "collection fund" pressure can be spread over 3 years rather than absorbed in full in 2021-22 as would normally be the case.

3.10. This still leaves our councils needing to cut back service costs (which after 10 years of cuts means cutting services – not efficiencies) by around £230 million each and every year. This is an average £14 million per council with, again, variations around that average meaning that some of our members face cuts of around £18 million in each of the next 3 years. Councils facing such challenges are planning now for the cuts that will need to be made.

3.11. As Government seek to implement support measures and use local government administration resource to do so, this is adding additional resource pressures to local government. It is essential that each additional new burden is fully funded, as part of the new burdens principle.

[5] Shares of: Emergency funding £3.7 bn, test and trace, homeless top up, Infection control grant (though not all associated costs appear as pressures) and reopen the high street

**3.12. SIGOMA call on HM Treasury to fully fund the annual cost of covid for every authority.**

**3.13. An early announcement should be made, ideally before the Spending Review, of proposals to support loss of Council Tax and business rates in 2021_22**

**3.14. New burdens must be acknowledged and funded**

## Spending Review 2021-22 and beyond

### 4. Meeting the Country's Needs - Adequate Funding for Services

4.1. Covid has served to highlight the services which underpin the fabric of society and which Government must sustain.

4.2. It has also shown that in local government the nation has, we would say, an "oven-ready" network of well managed service teams that can respond to local crisis in an efficient, well organised manner. Ministers have repeatedly assured our members of the absolutely critical role they have played in providing central government with information, disseminating guidance to the public and delivering the services needed on the ground, even when reacting to rapidly changing circumstances.

4.3. In reacting to the covid crisis Government has narrowed its vision to focus on essential services and created a simplified funding stream for local government that matches those services. This is a good blue print for the next planning horizon.

4.4. Covid, and the previous two local government settlements have also highlighted that the established funding levels for local government overall are inadequate. This is particularly true of Adult and Children's Social Care.

4.5. In 2019 the LGA predicted an overall funding gap of £3 billion by 2020 rising to £8 billion by 2025.

4.6. Pre covid, the County Councils Network predicted an annual funding gap of £4 billion in 2020-21 rising to £8.2 billion by 2024-25[6]

4.7. In the latest IFS report they estimate that even if councils raised Council Tax by 2% per annum and existing funding streams grew by inflation the spending needed to maintain services at pre covid levels would exceed revenues by £3.2 billion in 2024-25 and an average £2.4 billion per annum over 21/22 to 23/24[7]

[6] CCN Pixel local government funding forecast 2024/25 February 2020 https://www.countycouncilsnetwork.org.uk/advocacy/publications-and-research/

[7] Real terms, table 3.2 of report in fn4

4.8. The predicted quanta of funding will now of course need revising in the light of upward cost pressures due to the more complex service delivery environment in the medium term and the possibility of increased, demand due to likely increases in local deprivation and unemployment.

4.9. Back in 2018, the National Audit Office[8] concluded that:

> *The current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium term. The financial future for many authorities is less certain than in 2014. The financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.*

4.10. The report went on to recommend that :

*[The MHCLG] must also set out at the earliest opportunity a long-term financial plan for the sector that includes sufficient funding to address specific service pressures and secure the sector's future financial sustainability*

4.11. The risks of failure cannot be said to have lessened since then and has been staved off by a series of short term one-off grants and additional local taxation rises.

4.12. Covid has highlighted the risk to our key services from lack of funding. Councils face a future that is less certain even than in 2018.

4.13. Concerns about Governments lack of awareness of the sustainability of local government has been raised in both the Public Accounts Committee and the HCLG Committee[9]

4.14. An early casualty of funding cuts has been preventative spend. As funding fell and demand for services grew many councils have been forced to abandon spend on preventative measures in order to fulfil their statutory duties.

4.15. Examples provided by our members include: Sure start, early years services, youth services, improving school attendance, mental health difficulties, encouraging families to use local services, keeping children with families, preventing crime involvement, benefits help, drug and alcohol support and addressing parenting issues.

4.16. Similarly, cuts in Public Health funding is a direct reduction in one of the more obvious preventative services where reduced funding cannot help but contribute to increased demand for, and cost of expensive reactive services in health and social care.

4.17. The quantum will also need to take into account the additional resources which will be needed to support the recovery of local economies and support proposals for "levelling up".

[8] https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/
[9] Public Accounts Committee, Local government spending, HC-1775 2017-19, February 2019, p7 and Housing, Communities and Local Government Committee, https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/2036/2036.pdf

**4.18. Treasury and MHCLG must ensure that an adequate total funding package for local government is made available in line with LGA recommendations.**

## 5. Meeting the Country's Needs - Sharing Resources Fairly

5.1. Covid has also highlighted the necessity to place scarce funds where they are most needed and the extent to which deprivation and population concentrations can exacerbate the demand for care services.

5.2. Government have acted quickly to do this with Covid emergency funding but they must now address this issue in funding for 2021-22 and beyond. The landscape for local authority funding has changed and any illusion that the country can afford to fund some councils beyond their service needs whilst others fail to provide basic services must be abandoned.

5.3. Over the last decade, incentivising authority growth has resulted in moving ever-larger amounts of funding away from councils who have the highest need to those who can grow the most resource locally.

5.4. In 2010, when core spending power was £55,188 million[10], more than 60% of funding was allocated on a needs basis, either formula based or by matching grant to specific services.

5.5. As can be seen in table 3 below, the needs proportion fell in 2013-14 but was still more than half of the reduced CSP of £47,850 million.

5.6. By 2017-18, with core spending power down by 19% at £44,850 million[11], needs distribution made up just 40% of the total, with Council Tax and Incentives making up just under 60%, as shown in Table 3 below.

**Table 3: Profile of Core Spending Power 2010-11 to 2017-18 (source as a percentage of the whole)**

| Allocation basis | 2010-11 % | 2013-14 % | 2017-18 % |
|---|---|---|---|
| Council Tax base[12] | 35.1% | 43.6% | 55.0% |
| Needs basis | 64.4% | 54.9% | 40.1% |
| Growth incentive | 0.1% | 1.4% | 4.4% |
| Protection of funding [13] | 0% | 0.1% | 0.5% |
| Other | 0.4% | 0% | 0% |

[10] Adjusted for comparison to recent core spending power definition.
[11] MHCLGs calculation of growth in business rates (£554 million) has been added to the 2017-18 core spending power total in our illustration.
[12] 2010-11 CT data is adjusted to move CT benefit into "needs". Treatment of CTB changed n 2013-14 reducing tax base and creating a fixed grant for CT support.
[13] Contains increased rural services delivery grant and transition grant. Removal of negative RSG is not taken into account in this analysis though this is another protection

5.7. It is not difficult to appreciate that the change of emphasis in how funding has been allocated has benefited authorities with a large and growing Council Tax base and a thriving business estate by comparison to authorities with a low Council Tax and business rate base. This is illustrated by the following two examples.

5.8. Knowsley Council saw the following changes in its core spending power:

| Allocation basis | 2010-11 £m | 2013-14 £m | 2017-18 £m | Change % |
|---|---|---|---|---|
| Council Tax | 31.9 | 37.8 | 46.4 | 45% |
| Needs basis | 185.5 | 137.3 | 98.2 | -47% |
| Growth incentive | 0 | 0.9 | 9.0 | 100% |
| Protection of funding | 0 | 0 | 0 | 0 |
| Total Spending Power | 217.4 | 176.0 | 153.6 | -29% |

5.9. Whilst for the unitary authority of Poole, the change was as follows:

| Allocation basis | 2010-11 £m | 2013-14 £m | 2017-18 £m | Change % |
|---|---|---|---|---|
| Council Tax | 60.2 | 64.4 | 74.4 | 24% |
| Needs basis | 51.9 | 38.3 | 24.1 | -54% |
| Growth incentive | 0 | 1.5 | 3.7 | 100% |
| Protection of funding | 0 | 0 | 0.9 | 100% |
| Total Spending Power | 112.1 | 104.2 | 103.1 | -8% |

5.10. Despite having a lower percentage reduction in needs allocations, a higher percentage increase in Council Tax funding and a higher £ value in growth funding, Knowsley has suffered a much greater percentage reduction in its core spending power than Poole.

5.11. This is because Knowsley has a much greater dependency on needs funding, which is falling, and can only earn a smaller share of its overall needs from its house building and business rate growth than Poole.

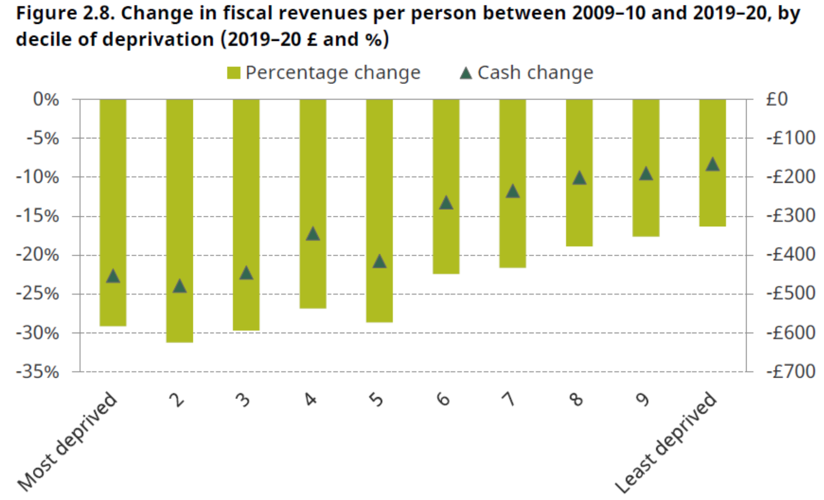
5.12. The Government's unwillingness to recognise this is illustrated by the fact that Poole, with a fall in CSP of 8%, received transitional protection in 2017-18 whilst Knowsley with a fall of 29% received nothing.

5.13. This impact is further evidenced by the 2019 IFS report[14] showing the cut in funding per head between 2010 and 2019 by deprivation decile.

5.14. In chart 4 below the £ cut per head in the most deprived 10% is more than double that in the least deprived.

[14] *English local government funding: trends and challenges in 2019 and beyond. IFS November 2019*

## Chart 4 Extract from IFS Report on Cuts




*English local government funding: trends and challenges in 2019 and beyond. IFS November 2019*

5.15. In 2018-19 growth in business rates above baseline funding was estimated by MHCLG at £1.4 billion[15]. In 2019-20 the value was nearer £1.8billion. Delaying the re-set of business rates has already negatively impacted the majority of our members who have become relatively more deprived and have lower tax revenues.

5.16. Based on 2018-19 retained growth, we estimate that by comparison to a needs based allocation our councils lost £147 million of funding. Each year that re-set is delayed, poorer councils lose more.

5.17. Again our view is independently supported by the IFS report. Table 4.2 of that report showed the relative gain or loss under BRR compared with allocating equivalent funding on the basis of councils assessed spending need. Between 2013-14 and 2019-20 the results showed that mets and unitaries had lost out whilst Shire areas and London authorities had gained:

### Table 5 Extract from IFS Report on Redistribution Impact of Rate Retention

| Authority type[16] | Cash Amount | Cash per person | As % of fiscal revenues |
|---|---:|---:|---:|
| Shire counties and districts | £192m | £9 | +0.14% |
| London boroughs + the GLA | £30m | £3 | +0.04% |
| Metropolitan Districts | -£141m | -£12 | -0.16% |
| Unitary authorities | -£80m | -£6 | -0.09% |

5.18. This growth above baseline does not appear in Core Spending Power, despite CSP being presented by MHCLG as the “measure of the overall revenue funding available for local authority services”.

[15] Assuming a 50% local share and taking into account related s31 grants, top ups and tariffs

[16] Prepared by SIGOMA from table 4.2 of the IFS report “The impact of business rates retention and the New Homes Bonus on council funding” link in FN7. The results of districts and counties are combined as relating to the same group of citizens as are London and the GLA. The figures quoted exclude the impact of rate retention pilots.

5.19. In addition to the funding imbalance caused by growth incentives, the scheme of rate retention itself has become increasingly complex due to:

- Government interventions in reliefs.
- Government interventions in business rate inflation.
- Changes to the revaluation cycle and interventions in that cycle.
- S31 grants to adjust for all the above and adjustment to those grants.
- Proposed changes to Levy and Safety Net mechanism.
- Disparity between council rate estimates and outturn.
- Impact of backdated appeals and provisions for those.
- Loss of business rates through academy transfers by schools.
- Delays in promised re sets.

5.20. With the future quantum of rate income uncertain and having identified service demand as the main priority government now has a unique opportunity to simplify government funding by over-riding the rate retention system and rebalancing funding according to need.

5.21. In our 2015 Policy document "Protecting Vital Services"[17] we put a case for a pooled fund that prioritised service needs but also made provision for incentive payments of the governments design, if all needs are funded. We would suggest that the time for such a scheme has arrived.

5.22. Such a scheme must take into account the reality of the varying ability of councils to raise funds through council tax.

5.23. Members were of the view, shared in various forum that we have attended, which expressed frustration at lots of small targeted amounts of community funding.

5.24. We support the LGA view that there needs to be a consolidation of funding pots, from various Departments and for various purposes, into one place-based grant to provide higher impact and concentrate maximum funding on local issues.

**5.25. We call on government to abandon or suspend business rate retention, new homes bonus and the related s31 grants and concentrate funding in to one, readily identifiable funding stream based on needs.**

**5.26. Funding for incentive policies should only be provided after service needs, economic recovery and levelling up are fully funded.**

**5.27. It is important that additional funding should ensure that no council would lose funding on transition to this approach.**

## 6. The Levelling up Agenda - Investment

6.1. Levelling up remains just an idea at the moment, a strapline in the manifesto of the governing party:

[17] Available at: https://www.sigoma.gov.uk/documents/policy-documents?year=2015&id=316

"..Boris Johnson has set out an agenda for **levelling up every part of the UK** – not just investing in our great towns and cities, as well as rural and coastal areas, but giving them far more control of how that investment is made. In the 21st century, we need to get away from the idea that 'Whitehall knows best' and that all growth must inevitably start in London. Because we as Conservatives believe you can and must trust people and communities to make the decisions that are right for them.
Conservative Party Manifesto 2019

6.2. Stakeholders across the country are urging the Prime Minister not to abandon the aspiration to revive our towns and cities.

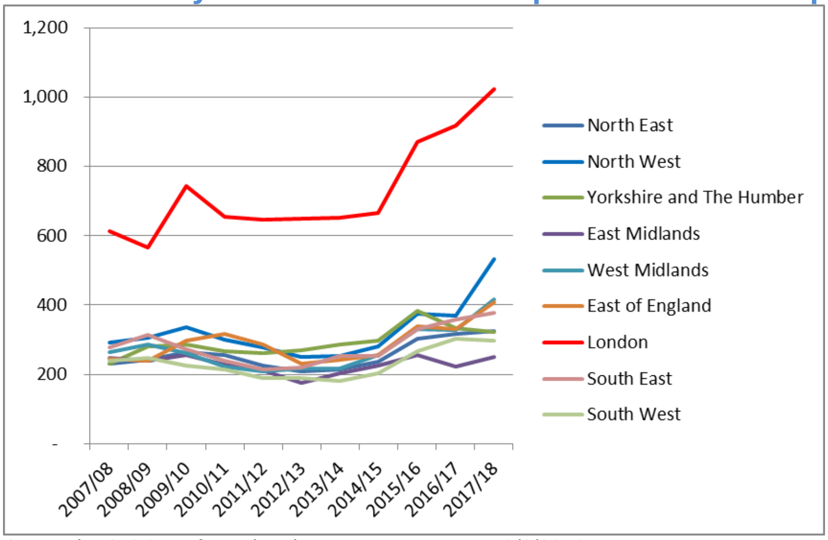
6.3. A key step to this is parity of investment in infrastructure.

*A good way of making big cities and their hinterlands more productive is to upgrade their infrastructure. Even on the basis of the Treasury's narrow cost-benefit calculations, which take too little account of projects' potential for boosting growth, the south-east gets an unfair share. Transport projects have been approved in London while others in the Midlands and north with better benefit-cost ratios are nixed. That needs to change*
Economist Leaders 30 July 2020

6.4. As The Economist leader suggests, infrastructure investment across the country is uneven and has been so for many years.

6.5. For example Chart 6, below, shows that historic public transport spending per capital in the capital is more than that of the next two regions combined and has been since 2008.

**Chart 6 Analysis of Historic Per Capita Total Public Spending on Transport**




Source by SIGOMA from data in IPPR press report 19/8/2019

6.6. The HM Treasury "Green Book" is responsible for deciding what projects are given the go-ahead. Currently the system skews investment toward already successful places. As Faisal Islam, economics editor for the BBC writes the current system:

*"biases government investment to where economic growth, high productivity, and high house prices are already concentrated - in and around London".*

6.7. It was therefore welcome that commitments were made earlier for a reform to

*"make sure that government investment spreads opportunity across the UK"*

6.8. A more recent comment from Chief secretary to the Treasury, Steve Barclay was;

> *"..spending decisions cannot be based solely on cost-benefit ratios assessed in silence; there must be room for more balanced judgements that take account of the transformational prospect of investment."*

**6.9. It is vital given the current economic crisis we now face that Government double down on this commitment to ensure that investment is spread more evenly and that alleviating the impacts of recession is part of the evaluation process.**

**6.10. A capital programme with ambitions outside the capital is essential and one in which the levers of decision making are passed into the regions.**

**6.11. A successor to EU structural funding must be announced to replace the £1billion that went to SIGOMA councils from this source over the last 5 years.**

## 7. The Levelling up Agenda - Equality of Opportunity

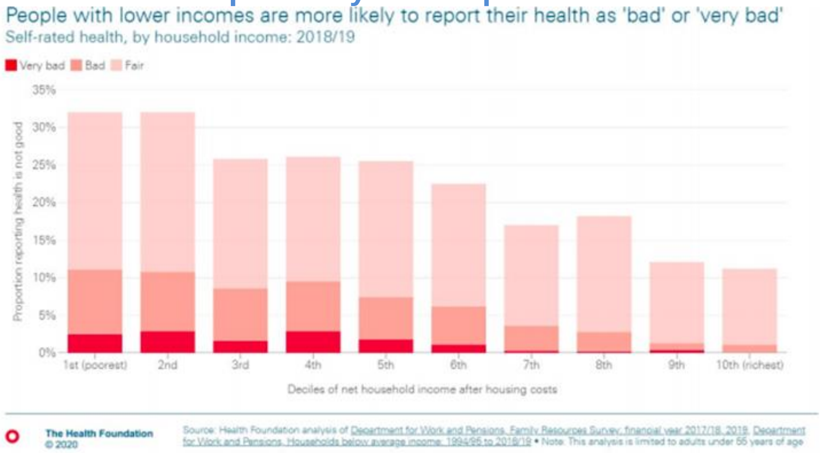
7.1. We would also argue that "levelling up" includes parity of opportunity.

7.2. This means that the health, education and the consequent employment inequalities also need addressing.

7.3. The health inequalities that accompany deprivation are well documented. Research from the Health Foundation[18] found a direct link between lower income and bad health.

7.4. Those in the poorest income decile were 5 times more likely to self-report their health as bad or very bad than the top income decile as Chart 7 below shows.

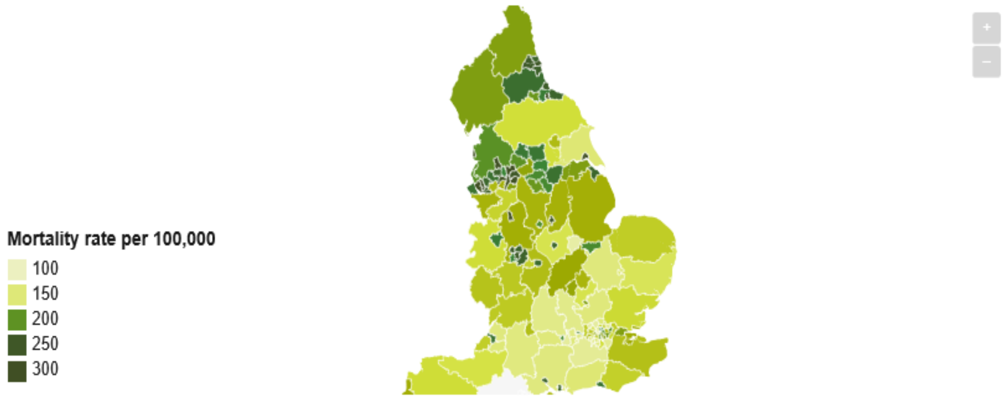
**Chart 7: Life Expectancy and Deprivation**




[18] Health Foundation, 2020 "Living in poverty was bad for your health before COVID-19", p.5. Adam Tinson available at: link

7.5. Perhaps one of the most disturbing analyses was presented by the Kings fund showing the geographic spread of preventable deaths:

**Figure 7 Mortality rate from causes considered preventable by local authority in England, 2016–18**

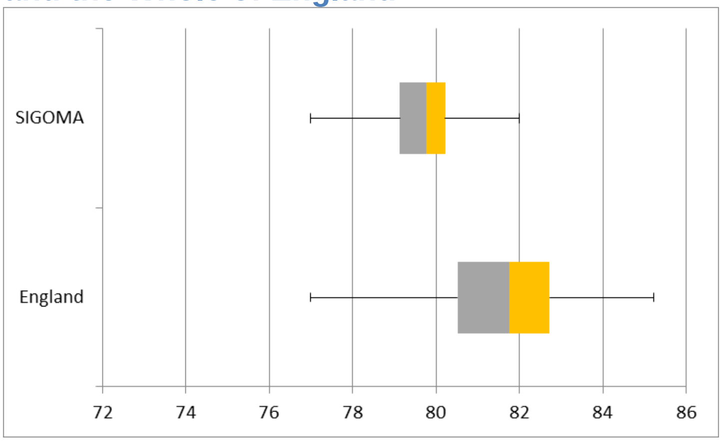



Map: The King's Fund • Source: Fingertips Public Health Profiles, Public Health England • Map data: © Crown copyright and database right 2018 • Get the data • Created with Datawrapper

*From "What are health inequalities?" : Willams,Buck and Babalola for the Kings fund.*

7.6. Our own chart below plots the range and concentration of life expectancy at birth for SIGOMA authorities compared to the whole of England. It shows that the very highest prediction for a SIGOMA council barely exceeds the average for the whole of England[19].

**Chart 8: Life Expectancy of SIGOMA Population and the Whole of England**




7.7. Covid has only further highlighted those inequalities, as the reports we highlighted in section 1 illustrate. In a Health Foundation report, the authors wrote:

> "People facing the greatest deprivation are experiencing a higher risk of exposure to COVID19 and existing poor health puts them at risk of more severe outcomes if they contract the virus"

7.8. This means that those in poor health are more likely to come into contact with Covid and then it is more likely that the disease will be deadly

[19] Prepared by SIGOMA using ONS life expectancy at birth 2016-2018 from ONS "Life expectancy at birth.….UK 2001-2018. Average taken of male and female life expectancy data.

**7.9. To help levelling up, Government must have a plan to negate the effects of deprivation on health inequalities both Covid related and in the long term.**

**7.10. Public Health funding should be re-evaluated in the light of covid to meet the needs of all councils.**

**7.11. Deprivation should have an appropriate weighting in distribution as should the multiplying effect of population concentrations.**

7.12. Similarly there is a strong correlation between deprivation and lower educational achievement, with all the connotations for lower skill, lower paid jobs, affecting the ability of regions to earn their way out of their poverty trap.

7.13. To quote from a recently updated ONS report[20]

> *Child poverty in the UK is a growing issue and affects more than 4 million children. Growing up in poverty can have negative consequences for children's well-being and future life prospects, such as employment and earning opportunities (HM Government, 2014)*
> *There is a clear pathway from childhood poverty to reduced employment opportunities, with earnings estimated to be reduced by between 15% and 28%, and the probability of being in employment at age 34 years reduced by between 4% and 7%.*

7.14. Given the Deprivation status of our councils reported in section 1 it will be no surprise to hear that 41 out of 47 of our member authorities were in the bottom half of the IDACI ranking[21] of the IMD, or that 9 out of the worst scoring 15 local authorities were SIGOMA members.

7.15. This is reflected in education KS4 outcomes, with 82% of our members recording below average attainment[22].

7.16. The consequences of this can be seen in progression beyond Key Stage 4 and the percentage of pupils going on to employment or training. Where 70% of our members recorded below the average percentage.[23]

7.17. In addition to the problems that deprivation plays in health and educational attainment there is the added problem of social mobility. At the moment, in the words of the Social Mobility Commission “Where you grow up matters”. This means that not only are you likely to be less well-off in deprived areas but that people of the same comparable poverty will be less well off in some areas than others. The report explains that:

> ***“Depending on where they grew up, sons from disadvantaged families [in one area] can earn on average up to twice as much as similar sons who grew up elsewhere in the country”[24].***

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[20] Child PovertyandEducationalOutcomesbyEthnicity_ONS Feb 2020 Link
[21] Income Deprivation Affecting Children Index
[22] Grade 5 or better in maths and English https://www.gov.uk/government/statistics/key-stage-4-performance-2019-revised
[23] PercentageofPupilsinOverallSustainedEducationandorEmplymentorTrainingDestinations2019

7.18. Of the 24 least socially mobile areas in England listed by the Commission, 16 are amongst our membership. Again to quote the commission:

> ***"Policy-makers need to prioritise areas with both the lowest earnings for disadvantaged sons and the largest pay gaps between the most and least deprived sons. Not only do these areas have large education gaps, but for deprived individuals, there is a lasting shadow of family circumstance persisting into adulthood. Giving additional support to this fifth, these localities with lower life chances, must be our mission."***

**7.19. Health and Education must be part of the levelling up agenda. Covid promises to widen this gap even further and Members want to see a plan, backed by Treasury, that recognises and addresses this.**

## 8. Use of Reserves

8.1. It is clear from the way in which covid returns are being framed that central government has an eye on the reserves that councils hold in addressing the pressures caused by the current crisis.

8.2. It should be clear from the responses of councils that they hold these reserves as part of their mechanism for responsible financial planning. As an entity that cannot (unlike health trusts) return a negative budget, reserves are a key part of a councils prudent financial planning.

8.3. It would also be a further step in the wrong direction from devolved responsibility and independence, back towards the assertion that Government-knows-best, which the Prime Minister denounces, as quoted in paragraph 6.1.

8.4. From our members' covid returns we can see that few of them see their reserves as available for covid use:

**Extract from Delta Returns on Covid Pressures August 2020**

| |
|---|
| **Question F2. What percentage of your unringfenced reserves as reported in Question F1 is programmed for expenditure within the next three to four years within your Medium Term Financial Strategy and are therefore seen internally as unavailable for unforeseen circumstances? Please separate between unallocated and earmarked reserves and provide a RAG rating for confidence in the estimates.** |

| | | |
|---|---|---|
| SIGOMA response average | -Unallocated financial reserves | 73% |
| | -Other earmarked reserves | 91% |

8.5. A typical comment accompanying the data was

> *"The Council's s151 Officer will have formed their statutory view on the level of reserves that are adequate considering the Council's strategic, operational and financial risk exposure. Reserves can be used to support unplanned cost pressures arising from Council activities, and are critical in supporting the short to medium term strategy of the Council and to enable the Council to support the local economies recovery from the longer term effects of COVID-19."*

[24] The long Shadow of deprivation", the Social Mobility Commission September 2020

**8.6. Therefore, Government are urged to find alternative approaches to sharing financial pressures from covid across the whole country.**

## 9. Clear Policy and Direction – What is Local Government For?

9.1. Over the last six months, and before that taking into account Brexit preparations, the expectations of the Government from local government have increased, sometimes in the absence of clear policy or direction from the centre.

9.2. The time is surely right for a clear understanding between central and local government about what services we are expected deliver, what drives the cost of those services and a mechanism that ensures adequate funding, recognising local tax raising capacity.

9.3. It is evident more than ever that the payers of tax and the consumers of services are for the most part, not the same people and not necessarily located in the same concentrations everywhere. Though an imaginative investment policy could rectify that over time.

9.4. We need and would work closely with Government to agree:

- A comprehensive policy for caring for the elderly and infirm.
- A proactive service of childcare for those at risk.
- A generous education system that offers equal opportunity across the country.
- A health system aimed at improving health everywhere and eradicating health inequality, not just reacting to illness.
- A national framework of infrastructure improvement and what that should look like post covid.
- Government plans to lift all regions to the same economic status as London and parts of the South.